GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:948
ANSWERED ON:21.07.2017
Loan Waiver Scheme
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

(a) whether there have been continuous agitations in some of the States to waive off farm loan;

(b) if so, whether a number of States have outlined farm loan waiver scheme;

(c) if so, the role of Union Government in these schemes;

(d) whether other State farmers are also following suit to waive off their farm loan and if so, the details thereof;

(e) whether Reserve Bank of India has warned the Government against such scheme to make the banks and economy vulnerable; and

(f) if so, the steps taken or being taken in consultation with States in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) to (f): There is no proposal under consideration of the Union Government to waive off loans of farmers. However, to reduce the debt burden of farmers, the following major initiatives have been taken:

â€¢ With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India in the Department of Agriculture, Cooperation & Farmers' Welfare implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

â€¢ Reserve Bank of India (RBI) has issued directions for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, inter alia, include, restructuring/rescheduling of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. These directions have been so designed that the moment calamity is declared by the concerned District Authorities they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework.

RBI has informed that it has taken up the matter relating the adverse effect of loan waiver on the banking sector from time to time since August, 2014 with the concerned authorities. As reported by RBI the empirical evidence suggests that loan waiver vitiates the credit culture and recovery climate and also impacts the financial soundness of the banks besides affecting fiscal position.